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**Business–government relations in the early nineteenth century:  
A comparative study of large- and small-scale Finnish  
entrepreneurial businesses**

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**1. Introduction**

This paper examines how economic actors attempted to influence political decision-makers and how they could participate in decision-making processes. The research site is early nineteenth-century Finland, an environment that was characterized by high economic regulation. According to the principles of mercantilism, in order to engage in business and entrepreneurial activities, economic actors needed to obtain different kinds of economic privileges and permissions that could only be granted by the Crown. In practice, these privileges and permissions largely defined the scale of business activities. For example, different kinds of regulations set limits on the acquisition of raw materials and production or sale of goods.<sup>1</sup> In this paper, we focus on the decision-making processes by which government authorities ruled on these privileges and permissions.

In this study, we investigate and compare two types of entrepreneurs: industrial entrepreneurs who represented Finnish “big business” and artisan-entrepreneurs, whose

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<sup>1</sup> See, for example, Annala 1928; Kekkonen 1987, 10–37; Kuusterä 1999; Ojala & Karonen 2006, 101–106.

activities can be understood as “small business.”<sup>2</sup> For the purposes of this research, the iron and sawmill industries, represented “big business” and the enterprises run by rural artisans are viewed as small businesses.<sup>3</sup> Sawmilling and iron manufacturing were growing industries, but also craftsmanship maintained its position throughout nineteenth century. Actually, the amount of rural artisans increased in nineteenth century.<sup>4</sup> “Big business” and “small business” were not uniform categories; on the contrary, both groups were internally very heterogeneous. For example, notwithstanding the differences between large- and small-scale businesses, the social standing, wealth, and business interests of individual entrepreneurs varied, as did their aims and aspirations.<sup>5</sup> Based on these facts, it is obvious that entrepreneurs had different kinds of opportunities to influence decision making. However, entrepreneurs required either permissions or privileges in order to run their businesses. This establishes a good starting point for comparative analysis. We have largely concentrated on business activities in rural areas because, due to existing legislation and regulations, specific instances of direct government control were less visible in urban areas.

In this paper we understand business-government relations as interaction or mutual and reciprocal influence between economic actors and government authorities. We believe this relationship could be either beneficial or harmful for the parties involved. Our objective, by using this framework, is to build a coherent picture of the interaction between different kinds of entrepreneurs and Finnish society. When studying entrepreneurs, we have to pay attention to the fact that they did not operate in a “social vacuum”; rather, they interacted with other entrepreneurs as well as the local

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<sup>2</sup> Here we refer to industrialists and artisans as entrepreneurs. The concepts of entrepreneur and entrepreneurship are widely discussed (an example of this discussion, see Glancey and McQuaid 2000). However, we are not attempting to draw up a new definition of an entrepreneur; the term is used only as a tool and a common denominator, which helps us to compare industrialists and artisans. In addition, the difference between industrialists and artisans was vague in the early nineteenth century. For example, the owners of small manufactures and workshops had similar characteristics as persons who were considered as industrialists, although the output of manufacturers’ and workshops’ production was smaller. Furthermore, all artisans produced commodities that were later produced in factories on larger scale.

<sup>3</sup> We have limited ourselves to studying only artisans operating outside the craft guild control, therefore town artisans have been excluded. On craft guilds in Finland see Vainio-Korhonen 1998. Situation in Sweden see for instance Lindberg 1947; Söderlund 1949; Edgren 1987.

<sup>4</sup> Schybergson 1980, 429.

<sup>5</sup> See also Kuisma 1999; Schybergson 1999.

community.<sup>6</sup> Therefore, we are also able to observe how different kinds of interest groups, such as competing entrepreneurs and local communities, attempted to gain influence over political processes in which decisions were made.

The research period runs from the early- to the mid-nineteenth century. This period is characterized by Russia's annexation of Finland in 1809.<sup>7</sup> Finland was known as the Grand Duchy of Finland and operated as an autonomous entity in the Russian Empire. In the Finnish context, the first half of the nineteenth century is usually seen as a period of political, economic, social, or cultural stagnation, while the mid-nineteenth century is often considered to have marked a certain kind of turning point or watershed in Finnish history. Institutional changes, technological innovations, the gradual development of the capital market, and improvements in transportation systems and information technology all took place during the mid-nineteenth century.<sup>8</sup> In general, interpretations of political history have largely dominated studies of nineteenth-century Finland, but we maintain that research that emphasizes the economic perspective can provide us with new insights.

This paper examines business–government relations using historical analysis of case studies based on both authors' studies of Finnish entrepreneurs.<sup>9</sup> We investigate primary source-material that was produced by government officials during decision-making processes. This material also includes documents such as petitions, complaints and official letters that were produced by economic actors and local communities. With these sources, we have been able to examine the relationship between business and decision-

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<sup>6</sup> The term “interaction” could be replaced with the concept of “co-evolution.” See Ojala & Karonen 2006 for similar remarks. The term “co-evolution” is used in different ways and in several contexts. It was first employed by researchers of biological change. In recent years, the term has been connected to studies of industrial leadership, the development of firms, and technological change and economic growth. One of the most recent examples of this type of research is Murmann's (2003) study, which takes a step forward by linking industrial, technological, and institutional dynamics.

<sup>7</sup> Finland's separation from Sweden ended more than 600 years of connections between the countries.

<sup>8</sup> On these changes in Finnish society, see for example Hjerpe & Jalava 2006; Ojala & Nummela 2006; Ojala & Karonen 2006; Hannikainen & Heikkinen 2006. See also Herranen 1986 and Åström 1988 (technological innovations in the iron industry and sawmill industry), Kuusterä 1989 (the development of capital market), Kallioinen 2003 (information technology), Mauranen 1999 and Kaukiainen 2006 (transportation).

<sup>9</sup> For further reading, see Uotila 2006; Uotila (forthcoming); Valtonen 2006.

makers at all levels of administration, since artisans largely interacted with the local administration while industrialists were in contact with high-level authorities.<sup>10</sup>

We argue that there were both formal and informal ways to influence government officials and public policy. Preliminary results indicate that decision-making processes shared similar elements; the most notable of which was participation by local communities. Furthermore, the study demonstrates that, while some were actively able to exert influence, a large proportion of entrepreneurs remained relatively passive. The strategy of these entrepreneurs was to avoid formal control and thereby evade regulations. Some passive entrepreneurs were artisans who did not have official working permission and so worked in the gray economy. Their unofficial position allowed them to avoid government control and taxes.

The paper is structured as follows: the next two sections are concerned with the administration. Our main aim here is to shed light on the formal side of decision making and how new business was launched. In Section 4, we discuss the interaction between entrepreneurs, different interest groups, and government authorities first at the local level, then at the provincial level, and finally at the highest level—the Finnish Senate. We consider the ways in which entrepreneurs sought to exert influence over government authorities and the opportunities they had to do so. Finally, we end with some concluding remarks.

## **2. Finnish society in early nineteenth century**

In order to strengthen towns, the state attempted to concentrate most economic activities in urban areas in seventeenth and eighteenth centuries. This policy promoted urban craftsmanship and industrialism. However, towns usually did not possess the resources

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<sup>10</sup> The primary source material includes a wide variety of archive documents located in several Finnish archives. For the purposes of this research, establishment of ten industrial facilities are studied. Most of these cases are from Eastern Finland. There are often several archival files on a particular sawmill or an ironworks because the related documents are also studied. As rural artisans, primary sources include information over one hundred individuals working in one parish called Hollola. One parish is chosen, because that allows us to study artisans more individually and systematically. In addition, detailed literature has been helpful for both authors.

that were required in order to set up industrial facilities. This explains why some businesses were given permission to establish factories in rural areas, notably those that used forest resources, certain soil types, or waterpower.<sup>11</sup> As a result, sawmills, ironworks, and brickworks were usually established in the countryside, where they became significant centers of trade and transportation. Although these industrial facilities were located in rural areas, they were usually owned by town merchants.<sup>12</sup>

The situation was somewhat similar for artisans and craftsmanship. Since the sixteenth century, the Swedish Crown had tried to encourage the growth of guild craftsmanship in towns by creating legislation to control and restrict provincial craftsmanship. Peasants protested against this trend, arguing that they required rural artisans because town artisans did not always know how to satisfy the needs of rural areas. Local production was also necessary because the methods and systems of transportation were clearly inadequate to serve the needs of the relatively vast, yet sparsely populated, Finnish area. Town artisans and their craft guilds, on the other hand, supported restrictions, and they quite often demanded greater protection against competition from rural artisans. Both the urban artisans and peasants sent petitions to the King and the Diet of the Estates promoting their own positions. As a result of these conflicting petitions, contradictory laws and regulations on rural craftsmanship were passed during the seventeenth and eighteenth centuries.<sup>13</sup>

The distinction between rural and urban Finland was also seen at the administrative level. State officials organized administration in rural areas, but towns had their own governing authorities. Thus, industrial facilities located in towns operated under the authority of the urban administration, while those located in rural areas were controlled by state officials.<sup>14</sup> It is important to note that guilds did not operate in rural areas and that, therefore, rural artisan were solely controlled by the state. When studying the

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<sup>11</sup> Annala 1928, 328.

<sup>12</sup> For example, it was common for trading houses, which engaged in diverse businesses, to also own sawmills in the countryside. Mauranen 1999, 374, 378.

<sup>13</sup> More about laws and petitions see for instance Ranta 1978, 87-94; Heino 1984, 68-74.

<sup>14</sup> Annala 1928.

entrepreneurial activities that took place in rural areas we are able to observe the interaction between the state and entrepreneurs.

At this time, the state played a strong role in Finnish society. The Swedish administrative heritage and the Russian style of rule were combined in the central administration of the Grand Duchy of Finland.<sup>15</sup> Although the change of ruler was undoubtedly significant, there was continuity in Finnish administration since Swedish legislation remained in force. The highest national level of administration was reformed after 1809. Fourteen native Finnish senators sat in the Senate, the highest administrative organ.<sup>16</sup> The establishment of the Senate was in sharp contrast to Finland's provincial past under Swedish rule. The Senate held only as much power as the autocratic Tsar allowed it. Therefore, all the major decisions, and many of the minor ones, had to be approved by the Tsar. Central agencies assisted the Senate in decision-making processes.<sup>17</sup> In accordance with the traditions of the Swedish era, the Diet of Estates convened in 1809. However, the next assembly of the estates did not take place until 1863. Therefore, between 1809 and 1863, all the decisions concerning Finland were taken by the Senate and other administrative bodies without the participation of the Diet. Because the Diet did not meet during the first part of the century, the authority of government officials increased and the administration bureaucratized. Simultaneously, the opportunities for individuals to gain influence over political decision-making processes are considered to have been limited.

Because the administration was hierarchical, there was no direct contact to the Senate or the Tsar from the lowest levels of administration. The local and provincial level of society participated in the administration through provincial governors. The provincial administrative system represented a degree of continuity in Finnish administration, since the system had been created during the Swedish period. Provincial governors were in

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<sup>15</sup> On Swedish administration in eighteenth century, see Gustafsson 1994, 45-60.

<sup>16</sup> The Senate was located in the capital city of Finland. The Senate was the highest national decision-making body as well as the supreme legal authority. Usually individuals' petitions and complaints were brought before the Senate. The most important cases were decided by the Tsar.

<sup>17</sup> Several central agencies—such as postal, custom, industrial agencies—were established in the early nineteenth century. This system did not have a direct example or model in the Swedish or Russian administration. See Savolainen 1996.

important positions because they ran the provincial administrative boards. Even after the establishment of the Senate, governors retained a significant share of administrative authority. Their subordinates—provincial bailiffs and rural police chiefs—represented the central government at the local level. Local communities also had their own courts, which assembled to discuss local affairs. These courts could issue statements and inform provincial governors about the local situation. (See Appendix 1.)<sup>18</sup>

### **3. Decision-making processes and entrepreneurial activities**

Launching a new enterprise or business was usually a relatively complex process that had several stages, whether it was a question of giving permission for the construction of a new industrial facility or issuing an artisan's work permit. The institutional constraints<sup>19</sup> were based on policies that had been drawn up in the seventeenth and eighteenth centuries. They remained in force until the late 1860s and 1870s, when the introduction of freedom of trade loosened or even ended restrictions. Naturally, there were tighter controls over establishing new factories than was case for setting up small businesses. Industries that relied on forest resources were strictly controlled by the government, which was trying to prevent the misuse and over-consumption of this valuable natural resource. The state also promoted the interests of iron industrialists because iron manufacturing, according to mercantilist principles, was considered the most important export industry in the country and it was thus favored in government policy.<sup>20</sup> Likewise, the state wanted to control craftsmanship, but this proved to be challenging in countryside.

After an entrepreneur had petitioned the Senate for permission to establish a new factory (in this case a sawmill or an ironworks), a special inspection was organized by government officials. The Senate (in the name of the Tsar) ordered either officials from the central agencies or local officials to undertake the task. Although there were differences between the inspections carried out for ironworks and those for sawmills, in

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<sup>18</sup> On administration in Finland in nineteenth century, see Tiihonen & Tiihonen 1984; Westerlund 1993; Savolainen 1996.

<sup>19</sup> See North 1993.

<sup>20</sup> Kuisma 1993b, 16-17; Kuusterä 1989, 194.

both cases other entrepreneurs and members of the local community had the opportunity to make statements and comments. Local officials gathered information during the inspection and would then report to the higher authorities about, for example, the availability and quality of natural resources in the immediate vicinity and any possible damage the factory could cause to neighboring areas. Once an inspection had been completed, the governor or officials from the central agencies evaluated the case and issued their statement. Finally, the Senate would decide whether to grant a privilege to establish a new industrial facility.<sup>21</sup> In most cases, the process was not that simple—if members of the local community or competing entrepreneurs voiced an objection, the process could become protracted. The competitive situation and limited natural resources had already been the cause of conflict between sawmill owners and iron manufacturers during the seventeenth and eighteenth centuries. As the volume of sawmilling grew in the early nineteenth century, this competition over forest resources increased.<sup>22</sup>

The process was less complicated for small-scale entrepreneurs such as artisans. Most of the artisans in rural areas were parish handicraftsmen, who had to apply for official permission in order to undertake their work. Besides having to obtain work permits, official parish artisans also had to pay special handicraft taxes. According to the law, only a few occupational groups were allowed to work in rural areas as parish artisans, namely basic artisans such as smiths, shoemakers, and tailors. Specialist craftsmen—including weavers, masons, and tanners—were in principle permitted to work only in towns, under the guidance of the craft guilds.<sup>23</sup>

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<sup>21</sup> When establishing a new sawmill, a provincial governor had an obligation to participate in the establishment process by providing a statement on the issue. In cases of new ironworks, the central agency for the metal industry controlled the process, and it would gather information and report to the Senate. National Archives (NA), Archives of the Economic Department of the Senate, petitions and complaints 1828-1860. For further information, see Valtonen 2006 and its primary source-material.

<sup>22</sup> The expansion of sawmilling was not only seen as a positive trend; both iron manufacturers and the government believed the expansion of the sawmill industry was accelerating the devastation of the forests. However, the 1830s witnessed a significant increase in production, and sawn goods became the most important Finnish export. See, for example, Kuisma 1993a, 26-43; Tasanen 2004, 76-81. On the development of the Finnish sawmill industry in the nineteenth century, see Hoffman 1980; Ahvenainen 1984.

<sup>23</sup> There were several laws and regulations relating to rural artisans. The most important of these were drawn up in the seventeenth century. In 1604, the act of Norrköping granted rural inhabitants a specific number of artisans; in 1680, this act was otherwise renewed but only allowed tailors and shoemakers to work in the countryside. Governors, when granting a work permit, would invoke one or other of these laws,



Acquiring a position as a parish artisan was a relatively straightforward process. First, artisans would appear before the local court and request a support clause from local inhabitants. Members of the local community were asked for their opinions, because they, as customers, were in the best position to assess whether there was room for newcomers and for this entrepreneur in particular. In most cases, the local court gave a support clause and so it seems probable that petitioners may have arranged matters beforehand. However, from our sources it is difficult to prove that this kind of informal influence was exerted. There were, nevertheless, court cases that cited letters of support from villagers.<sup>24</sup> Artisans already working in a particular parish could not prevent a support clause being granted; in fact, no one sought their opinion on this kind of matter. Sometimes other parish artisans would protest against new competitors but their complaints were usually in vain. Once they had obtained a support clause, artisans would turn to the provincial governor. Governors had the final say over whether to grant a permit or not. In most cases, a permit would be granted.<sup>25</sup> An artisan who wanted to give up his profession usually followed a similar procedure.<sup>26</sup>

#### **4. Large- and small-scale entrepreneurs' participation in decision making**

When comparing decision-making processes, we discovered that one common feature was the active participation of local communities. Local communities had an important role because they were able to express their own opinions during decision-making processes. In this way, they could either offer support to or oppose new entrepreneurs. For instance, members of the local community could have an influence on the number of

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depending on the artisan's occupation. During the nineteenth century, the laws were gradually loosened. Paloposki 1976, 366-367; Ranta 1978, 87-94; Heino 1984, 68-74.

<sup>24</sup> Provincial archives of Hämeenlinna (HMA), proper court records 1817, Ca3:75 § 34.

<sup>25</sup> Governors justified their decisions by reference to legislation, but, after the 1820s, decisions were routinely taken without any reasons or explanations being given. NA, Uusimaa and Tavastia province, records of petitions 1800-1830, Ab 54-Ab 84.

<sup>26</sup> Artisans had to inform the local court that they wanted to give up their profession and usually had to explain why they wanted to do so. Additionally, governors were asked for permission. However, this kind of official procedure to resign was very rare and usually artisans simply did not pay craft taxes any more. In theory, the same kind of permit should have been requested when artisans employed apprentices, but it seems that in practice this was exceptional in our research area. NA, Uusimaa and Tavastia province, records of petitions 1800-1830, Ab 54-Ab 84; HMA, Tavastia province, records of petitions 1831-1840, Ad 1-Ad 11 ; HMA, Hollola parish, proper court records 1810-1840, Ca3:61- Ca3:122. See also Laakso 1974, 24; Ranta 1978, 75.

parish artisans in their region, as they were able to assess whether there was enough work available for new entrepreneurs. It was essential for newcomers to be able to make their living; peasants did not want poor people to move to their parish largely because they were afraid of having to support even more paupers. When considering whether or not to provide a support clause, the local community also paid attention to an artisan's reputation and professional skills since the community appreciated capable and independent, self-supporting workers.<sup>27</sup>

Similarly, when new industrial units were being established, other industrialists who operated in the same geographical area actively participated in decision making, alongside local peasants. For example, inspections often had numerous participants.<sup>28</sup> Participation was so widespread because of the impact that the establishment of a factory could have on the local economy: an ironworks or sawmill were usually the first signs of industrialization in the Finnish countryside and provided much longed-for opportunities to participate in paid work. Local peasants, who hoped to earn an income from the sale of raw material and transport or from other employment connected to industry, were usually the local interest group that was most actively supportive of a proposed industrial facility. On the other hand, peasants would sometimes protest against the establishment of a factory because of fears that a new industrial unit could devastate local forests.<sup>29</sup> Other industrialists would also oppose plans for a factory if their own businesses were threatened. Conflicts between different interests groups—especially between owners of sawmills and iron manufacturers—could be serious and long-lasting, and they usually revolved around the right to use certain raw materials or waterpower.<sup>30</sup> It was possible for established entrepreneurs to prevent or delay the acceptance of a new industrial facility in their area. In one instance, it took almost twenty years to solve disputes between a sawmill owner and an iron manufacturer over the establishment of a large-scale ironworks in a distant community in Eastern Finland. In this particular case, the decision-

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<sup>27</sup> See Ranta, 1978, 73, 104.

<sup>28</sup> This was possible because inspections were open to all and details of upcoming inspections were read out during local church services.

<sup>29</sup> NA, Archives of the Economic Department of the Senate, Files STO KD 2/222 1832; STO AD 83/1 1832 (establishment of Kuurna sawmill).

<sup>30</sup> In the eighteenth century, there were also several conflicts over the workforce. See Kuisma 1983.

making process was prolonged by complaints made by local peasants and a powerful sawmill owner who opposed the proposed ironworks. The complaints, which were sent to the Senate, were a deliberate attempt to hinder the establishment of a new factory. In addition, local peasants protested against the project by filing petitions to the provincial governor and the Senate.<sup>31</sup>

In urban areas, the artisan community was closed; craft guilds independently restricted the number of artisans in order to avoid competition.<sup>32</sup> In the countryside, the competition between artisans was not as evident as that between industrialists, because rural artisans could not affect the number of professionals. The empirical evidence suggests that in rural areas the number of artisans was influenced by demand and the size of their customer base. This is probably the reason why the number of the artisans remained relatively low. Competition was kept largely in check and artisans were able to support themselves.

Problems or conflicts usually emerged and focused at a local level. If they could not be dealt with by local officials, the provincial governor—and later, high-level officials—would be forced to resolve them. The governor was the central authority with regard to local-level decision making. The governor's role seems to have been based on his knowledge of the local situation, and he worked as an informant to high-level officials. He would evaluate the statements and reports provided by local authorities. It seems that his primary duty was to facilitate communication between the lower- and higher-level officials—a role that was particularly evident when dealing with the establishment of industrial facilities. However, governors had some discretionary powers and would every now and again grant permissions to artisans who, according to the law, should not have been allowed to work in rural areas. The chance to increase tax revenues seems to have motivated such deviations from the letter of the law.<sup>33</sup> For instance, governors would

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<sup>31</sup> NA, Archives of the Economic Department of the Finnish Senate, Files STO AD 395/96 1836; STO AD 529/102 1847; STO AD 425/4 1851; STO AD 429/304 1851; STO AD 704/110 1850. See Valtonen 2006, 68-96.

<sup>32</sup> See Vainio-Korhonen 1998, 131-143.

<sup>33</sup> Laakso 1974, 23-24; Ranta 1978, 90-94.

sometimes allow weavers to work as parish artisans even though the law did not approve of this practice. It is evident that on occasions legislation and practice diverged.

The Senate made the final decisions in cases related to industrial facilities.<sup>34</sup> By contrast, only a few cases involving artisans were brought to the attention of this level of administration. If, for example, a governor did not grant permission to establish a dye house in the countryside, dyers could complain to the Senate. Because the urban administrative courts rejected a greater number of their petitions, artisans working in towns more often brought complaints before the Senate than their rural counterparts did.<sup>35</sup> Local courts and governors usually gave artisans permission to work in the parishes and so there was little need for artisans to submit complaints to the Senate.

It can be argued that the lower-level officials could have a very important role because they directly interacted with entrepreneurs and local communities. This is seen in the final decisions taken by the Senate. According to the minutes of Senate meetings, the decisions taken by senators were based on the information and statements provided by lower-ranking officials. Decisions were often taken routinely and only occasionally were any discussions recorded in the minutes.<sup>36</sup> Due to their heavy workload, senators were forced to take decisions without engaging in time-consuming discussions or even voting.<sup>37</sup> The role of lower-level officials was thus emphasized, and gathering, producing, and delivering information were extremely important. It is evident that it was easier for different interest groups to get their own opinions heard by higher-ranking officials in cases where information gathered from the local level was inadequate. If local courts or local officials had not paid attention to the required details, different interest groups could more easily provide new information to the most senior officials. Interest groups would

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<sup>34</sup> However, it was possible that petitions and complaints were brought before the Tsar if there were severe conflicts or problems.

<sup>35</sup> Provincial archives of Jyväskylä (JyMa), Economic Department of the Senate, records of petitions and complaints 1809-1860; Economic Department of the Senate, the minutes of the Senate meetings 1828-1860. An example case see NA, Archives of the Economic Department of the Senate, File STO AD 904/96 1850; JyMa, The minutes of Senate meetings, March 6, 1851.

<sup>36</sup> So far, our case studies include only one case, when the senators had to vote on the final decisions. JyMa, The minutes of Senate meetings, November 11, 1837.

<sup>37</sup> See, for example, Savolainen 1994, 342.

submit new petitions and complaints or would try to press their case to senators through informal channels, such as personal meetings or private correspondence.

Our preliminary results and the existing literature indicate that informal meetings and private correspondence between interest groups and senators did take place in the early nineteenth century.<sup>38</sup> However, it is difficult to estimate how often interests groups interacted with decision-makers outside the public arena. In any case, the networks of the economic and political elites were tightly connected and this provided opportunities to exert influence on decision-makers and paved the way for the political involvement of the economic elite.<sup>39</sup> Obviously, the situation was very different for small-scale entrepreneurs. Entrepreneurs who had small-scale businesses were less well integrated into the policy-making structure than industrial entrepreneurs were, although rural artisans were able to ask for support from their local community.

It is also worth mentioning in this context that the Senate very often operated informally when taking the most important decisions. It is even said that the informal procedures secured the smooth running of the administration and ensured that decisions were reached in a timely fashion. The Senate's ability to operate was due the informal practices, which were based on the favored position held by a few high-ranking senators. The Russian administration was built on the idea of favoritism and the Tsar's personal favorites—and their own favorites among the Finnish senators—had the best opportunities to influence public policy. The favored senators had more power than their rank-and-file colleagues. Informal procedures were used to ensure that the decision-making organization was able to operate. As the official decision-making system was inflexible, the informal system, based on personal ties and favoritism, made it possible to react quickly when necessary.<sup>40</sup>

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<sup>38</sup> Valtonen (2006) has studied the private and business correspondence of a significant businessman N. A. Arppe (1803-1861) who was engaged in the sawmill and iron industries. Arppe's correspondence indicates that informal meetings and personal correspondence took place. NA, Archives of Clas Herman Molander; NA, Archives of Alahovi Manor, File 20. Also existing literature has similar examples, see Kuisma 1993b.

<sup>39</sup> A good example of this is the establishment of an ironworks near the town of Tampere in 1840s. The founders included two senators and a high governmental official. NA, Archives of the Economic Department of the Senate, File STO AD 86/113 1842.

<sup>40</sup> Savolainen 1994, 173-177, 342-344.

To conclude, permissions and privileges were normally granted. Rural artisans usually obtained the permit for which they had petitioned. In the early nineteenth century, it was also only a formality for a new ironworks to be granted permission; however, requests for permission to establish sawmills were much more commonly rejected. The policy is not considered very tight as the rejections that Senate made were well-grounded.<sup>41</sup> Because bureaucracy and the accurateness of the government officials were characteristic of decision-making processes, it was possible for a petition to be rejected at the highest level if it was not correctly worded or if it had been sent to the wrong official.

According to the law, entrepreneurial activities could not begin before permission had been granted and official documents had been issued. However, in several cases entrepreneurs began to work without having first secured the necessary permission. On a number of occasions, for example, construction work on a new factory would begin before official permission for the project had been granted.<sup>42</sup> Similarly, official documents (including census lists) show that several artisans worked for years before they were issued with a work permit.<sup>43</sup> Independent artisans were able to evade official notice more easily since local officials did not have an obligation to control artisans. Such control was exerted by an artisan's peers, who could sue an unofficial artisan for unlawful activities and request compensation.<sup>44</sup> However, sometimes the number of unofficial artisans was considerable and often official and unofficial artisans would work side by side.<sup>45</sup> Additionally, official artisans would try to avoid taxes or control and become unofficial artisans. It seems that, in contrast, it was difficult for entrepreneurs

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<sup>41</sup> See Hoffman 1980, 40: between 1849 and 1859, 120 petitions about the establishment of sawmills were submitted to the Senate. Only 58 of the petitions were approved, along with 20 petitions regarding the enlargement of an old sawmill.

<sup>42</sup> See Laine 1948; Laine 1950.

<sup>43</sup> NA, Uusimaa and Tavastia province, census lists 1810-1827, U2-U19; HMA, Tavastia province, census lists 1828-1860, I Gcc 1- I Gcc 34.

<sup>44</sup> These cases were rare. HMA, Hollola parish, proper court records 1810-1840, Ca3:61- Ca3:122. See also Kaukovalta 1931, 442; Paloposki 1976, 368.

<sup>45</sup> Unofficial artisans did not pay craft taxes, and they were not entered into the official government records as artisans. In the population register, they were listed under such titles as hired men or crofters, but were not referred to in any artisan terms. Real occupations were revealed in church books or in court books, where declaration of real profession did not mean any obligation to pay craft taxes. For further information on unofficial artisans, see for instance Ranta 1978; Gadd 1991.

with large-scale businesses to bypass the law because of tight official control of industrial activities.

## **5. Results and discussion**

Our starting point for this study was that, because several actors and interests groups were involved, decision-making processes could reveal interaction between business and government. We employed micro-level analysis to reveal a more detailed picture of the ways in which government officials could be influenced in the early nineteenth century. The preliminary results indicate that large- and small-scale entrepreneurs employed different ways and means in their attempts to gain influence over decision-makers. In general, it can be argued that the industrialists had rather good opportunities to influence government authorities. Of course, the first prerequisite was to recognize these opportunities and to have the necessary resources—including skills, money, and time—to make good use of them. Artisans had fewer opportunities to participate and influence decision-making processes. However, local communities actively defended their right to have an adequate number of rural artisans in their parish.

Our findings reveal that government officials did not adjudicate all decisions by themselves; decisions were often the result of a long communicative process based on interaction between several individuals or interests groups. The efforts and interests of local communities were considered carefully, especially when deciding whether to grant permissions and privileges to new industrial facilities. In other words, the role of the local communities and its residents were important in decisions about both large- and small-scale entrepreneurial activities. Comments made by members of the local community were an important way of providing decision-makers with first-hand knowledge of local conditions and circumstances with which decision-makers were not familiar. The statements and decisions given by the local courts were an important source of information for decision-makers. The final decisions about granting industrial privileges

were largely taken on the basis of information collected at the local level.<sup>46</sup> This emphasizes the important role of local authorities in decision-making processes. It seems that, in both cases, local inhabitants had opportunities to exert influence due their position as customers and workers. They could forward petitions and make formal complaints to the high-ranking decision-makers about the decisions made by local authorities.

It could be argued that inexact or fragmented regulation may have lead to situations in which government officials drew on informal practices in order to resolve emerging issues. This can be seen in the response of the lowest level of central administration to issues concerning small-scale entrepreneurs. Some provincial governors seem to have taken decisions that were based more on practical reasoning than on official regulations. Such practical reasoning was evident in cases where tax revenues could be increased by issuing work permits to artisans.

Thus far, we have examined the relationship between the state and business largely through administrative and official documents. In the near future, we will also examine newspapers, which could shed more light on these questions. For example, newspapers were already commenting on economic questions in the early 1840s, when the Senate was planning reforms to existing forest legislation. Occasionally, the need for more liberal legislation and freedom of trade was also discussed, although censorship prevented the most polemic debates.

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<sup>46</sup> For example, the production quotas, taxation, and exemption from taxes were all based on this information.



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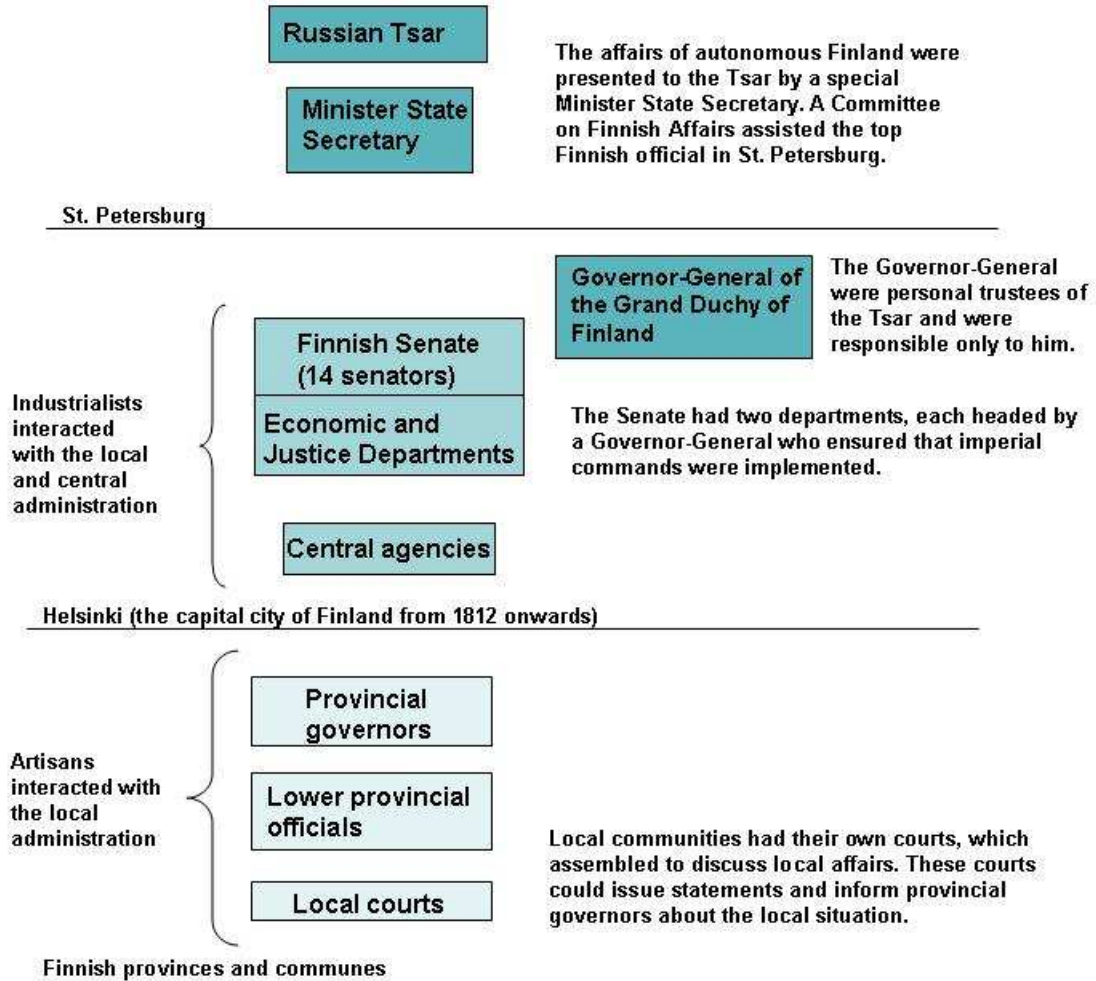
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Appendix 1.

## The administrative system in the Grand Duchy of Finland (c. 1810–1860)



Modeled after Tiihonen & Tiihonen 1984; Savolainen 1994.